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UNITED STATES  
EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
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**ANNUATED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- <del>1306878</del>

*1369*

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2003 AND ENDING December 31, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Putnam Retail Management, LP and Subsidiary

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

One Post Office Square

(No. and Street)

Boston  
(City)

MA  
(State)

02109  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Amrit Kanwal (617) 760-1248  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche, LLP

(Name - if individual, state last, first, middle name)

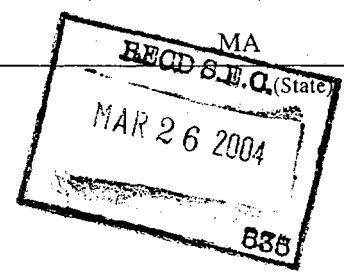
200 Berkeley Street  
(Address)

Boston  
(City)

02116  
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.



PROCESSED  
JUL 16 2004 *E*

THOMSON  
FINANCIAL

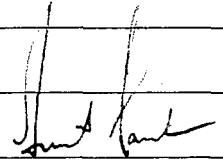
**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

*51-15*

## OATH OR AFFIRMATION

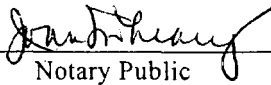
I, Amrit Kanwal, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Putnam Retail Management, LP and Subsidiary of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

Chief Financial Officer

Title



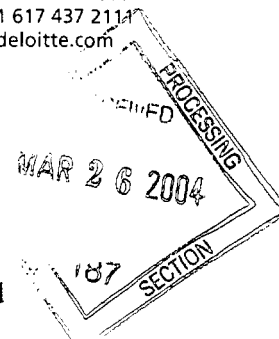
Notary Public

*Commonwealth of MA  
My commission expires 11/12/05*

This report \*\* contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to method of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Partners of Putnam Retail Management, Limited Partnership and Subsidiary:

We have audited the accompanying consolidated statement of financial condition of Putnam Retail Management, Limited Partnership and subsidiary (the "Partnership") (a wholly owned subsidiary of Putnam Investments Trust) as of December 31, 2003, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of the Partnership as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte : Take up*

Deloitte & Touche, LLP  
Boston, Massachusetts  
March 12, 2004

**PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2003**

**ASSETS:**

Cash and cash equivalents	\$ 98,942,031
Securities purchased under agreements to resell	23,000,000
Accounts receivable from sales of mutual fund shares	282,334
Accounts receivable from mutual funds for distribution plans	81,691,376
Prepaid expenses and other assets	2,910,872
Property and equipment, net	600,172
<b>TOTAL ASSETS</b>	<b>\$ 207,426,785</b>

**LIABILITIES AND PARTNERS' EQUITY:**

Liabilities:

Accounts payable for mutual fund shares sold	\$ 374,517
Accrued compensation	13,486,556
Accounts payable and accrued expenses	50,273,419
Commissions payable for distribution plans	70,447,071
Total liabilities	<u>\$ 134,581,563</u>

Contingencies (Note 8)

Partners' Equity:

Partners' Equity	\$ 128,914,556
Accounts receivable from Parent	(56,069,334)
Total partners' equity	<u>\$ 72,845,222</u>

<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<b>\$ 207,426,785</b>
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The accompanying notes are an integral part of this consolidated statement of financial condition.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP AND SUBSIDIARY  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003

**(1) Organization**

Putnam Retail Management, Limited Partnership and subsidiary (the "Partnership") is a 99% owned subsidiary of Putnam Investments, LLC, which is a wholly owned subsidiary of Putnam Investments Trust (the "Parent"), and a 1% owned subsidiary of Putnam Retail Management GP, Inc., a wholly owned subsidiary of Putnam Investments, LLC. The Parent is a majority owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC").

The Partnership's primary business is the underwriting, sale and distribution of shares of Parent-sponsored mutual funds (the "Funds"), principally within the United States of America. The Partnership's revenue is largely dependent on the total value and composition of assets under management, which include domestic and international equity and debt portfolios; accordingly, fluctuations in financial markets and in the composition of assets under management affect revenue and results of operations.

In 2002, the Partnership expanded its license to permit it to act as an introducing broker on a fully disclosed basis. All accounts are carried by, and all trades are cleared through, Pershing, LLC ("Pershing"). The agreement between the Partnership and Pershing provides that the Partnership is obligated to assume any exposure related to nonperformance by its customers. The Partnership monitors its customer activity by reviewing information it receives from Pershing on a daily basis, requiring customers to deposit additional collateral or reduce positions when necessary, and reserving for doubtful accounts when necessary.

In 2001, the Parent and its subsidiaries commenced a corporate restructuring. Putnam Retail Management, Inc. converted to a Limited Liability Partnership, becoming Putnam Retail Management, Limited Partnership. The Partnership will thereafter do business as Putnam Retail Management, Limited Partnership. No ownership changes resulted from this restructuring.

**(2) Summary of Significant Accounting Policies**

*Principles of Consolidation*

The accompanying consolidated statement of financial condition includes the accounts of Putnam Retail Management, Limited Partnership and its wholly owned subsidiary. All material intercompany accounts are eliminated in consolidation.

*Accounting Estimates*

The preparation of the consolidated statement of financial condition in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Actual results could differ from these estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of bank demand deposits, time deposits, and investments in high-grade corporate debt obligations with original maturities of three months or less. Time deposits and investments in corporate debt obligations are recorded at amortized cost, which approximates market value.

*Securities Purchased Under Agreements to Resell*

The Partnership invests certain cash balances, held in its capacity as investor servicing agent and distributor for the Funds, in resale agreements. The Partnership has a corresponding liability for these balances, which is included in accounts payable and accrued expenses in the consolidated statement of financial condition. Interest earned from these investments is used to reduce amounts due from the Funds for services provided by the Partnership.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP AND SUBSIDIARY  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003

**(2) Summary of Significant Accounting Policies (continued)**

Resale agreements are recorded in the consolidated statement of financial condition at the amounts at which the securities were purchased, which approximates fair market value, based upon the short-term nature of the agreements.

The Partnership purchased certain U.S. Treasury obligations from a single party for \$23,000,000 at December 31, 2003 and agreed to resell these U.S. Treasury obligations on January 2, 2004 for cost plus interest accrued. At December 31, 2003, the U.S. Treasury obligations had fair market values, including accrued interest, of \$23,522,000.

**Property and Equipment**

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation of computer equipment, office and data processing equipment, and furniture and fixtures is calculated using the straight-line method based on estimated useful lives of three, five, and seven years, respectively. Leasehold improvements are amortized using the straight-line method over the periods covered by the applicable leases, or the estimated useful life of the improvement, whichever is less. Upon sale or retirement, the cost less accumulated depreciation and amortization is removed from the accounts and the resulting gain or loss, if any, is reflected in operating income. Additions, renewals and betterments of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred.

**Income Taxes**

The Partnership is taxed as a corporation for federal tax purposes and as a Corporate Trust for Massachusetts state tax purposes.

The Partnership records a current liability or asset for the estimated taxes payable or refundable on tax returns for the current year and a deferred tax liability or asset for the estimated future tax effects attributable to temporary differences.

The Partnership is included in the federal tax return of MMC. The Partnership computes its current and deferred tax provision in a manner representative of how the Partnership would have computed its provision had it not been included in the federal tax return of MMC. Accordingly, tax amounts in the consolidated financial statement effectively represent related-party transactions.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP AND SUBSIDIARY  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003

**(3) Property and Equipment**

Property and equipment consists of the following at December 31, 2003:

Property and equipment	\$15,383,740
Less accumulated depreciation	(14,783,568)
Net office and data processing equipment	<u>600,172</u>
 Leasehold improvements	 3,542,517
Less accumulated amortization	<u>(3,542,517)</u>
Net leasehold improvements	<u>-</u>
 Property and equipment – net	 <u>\$600,172</u>

**(4) Net Capital Requirements**

As a broker/dealer, Putnam Retail Management, Limited Partnership is subject to the Securities and Exchange Commission's (the "SEC") regulations and operating guidelines, including Rule 15c3-1, which requires the Partnership to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness, as defined, to net capital not exceeding 15 to 1. The Partnership's net capital, as computed pursuant to Rule 15c3-1, was approximately \$57,494,000 at December 31, 2003, which was greater than the required net capital of approximately \$8,951,000 by approximately \$48,543,000. The ratio of aggregate indebtedness to net capital at December 31, 2003 was 2.34 to 1.

**(5) Exemption from Reserve and Security Custody Requirements Pursuant to Rule 15c3-3**

The Partnership is exempt from the reserve requirements of Rule 15c3-3 of the Securities and Exchange Commission Act, under the provisions of subparagraph (k)(1) thereof, since its transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. All customer funds are promptly transmitted, and all securities received in connection with activities as a broker/dealer are promptly delivered. The Partnership does not otherwise hold funds or securities for, or owe money or securities to, customers.

**(6) Transactions with Parent**

Accounts receivable from Parent represents intercompany transactions between the Partnership and the Parent due to the receipt and payment of cash on the Parent's books and the recording of related transactions on the Partnership's books. This balance is recorded as a reduction of partners' equity in the consolidated statement of financial condition.

**(7) Fair Market Value of Financial Instruments**

The estimated fair market value of the Partnership's financial instruments is described below. The fair market values shown do not indicate the Partnership's intent or ability to dispose of the financial instruments.

▪ *Securities Purchased Under Agreement to Resell*

The estimated fair market value of the Partnership's securities purchased under agreements to resell approximates their carrying value due to the securities' short-term nature.

▪ *Accounts Receivable from Sales of Mutual Fund Shares*

The carrying amount of accounts receivable from sales of mutual fund shares approximate fair market value due to their short-term nature.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP AND SUBSIDIARY  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003

**(7) Fair Market Value of Financial Instruments (continued)**

- *Accounts Receivable from Mutual Funds for Distribution plans*  
The carrying amount of accounts receivable from mutual funds for distribution plans approximate fair market value due to their short-term nature.
- *Accounts Receivable from Parent*  
The carrying amount of the accounts receivable from Parent approximates fair market value due to its short-term nature.

**(8) Commitments and Contingencies**

The Partnership has received subpoenas from the SEC's Philadelphia office, seeking documents relating to the Partnership's directed brokerage practices and the SEC has interviewed, and taken testimony from, a number of the Partnership's employees relating to revenue sharing practices. In addition, the Partnership has received a request for information from the SEC's Chicago office and the National Association of Securities Dealers regarding revenue sharing arrangement.

The Partnership is subject to claims and lawsuits that arise in the ordinary course of business. Some of these claims and lawsuits seek damages, including punitive damages, in amounts, which could, if assessed, be significant. The outcome of these matters cannot be ascertained and liabilities in indeterminate amounts may be imposed on the Partnership. On the basis of present information, available insurance coverage and advice received from counsel, it is the opinion of management that the ultimate disposition or ultimate determination of these claims may have a material adverse effect on the Partnership's consolidated financial position.

**(9) Subsequent Events**

As of January 1, 2004, the Parent will no longer direct fund brokerage commissions to brokerage firms for the sales of the Funds. As a result, the Partnership estimates an increase in operating expenses for the year ending December 31, 2004.

In January 2004, the Parent announced a voluntary reduction in front-end sales charges on Class A shares for the year ending December 31, 2004. As a result, the Partnership estimates a reduction in distribution fee revenue for the year ending December 31, 2004.

March 12, 2004

Putnam Retail Management, LP.  
One Post Office Square  
Boston, Massachusetts 02109

Dear Sirs/Madams:

In planning and performing our audit of the consolidated financial statements of Putnam Retail Management, Limited Partnership ("PRM") and subsidiary (the "Partnership") (a wholly owned subsidiary of Putnam Investments Trust) for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on PRM's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by PRM that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by PRM in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because PRM does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of PRM is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which PRM has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices and procedures may deteriorate.

Our consideration of PRM's internal control would not necessarily disclose all matters in PRM's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving PRM's internal control and its operation (including control activities for safeguarding securities) that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that PRM's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Debbie L. Tucker*